

NCUA News

Dennis Dollar named Chair, JoAnn Johnson selected for Board



President George W. Bush designated Dennis Dollar chairman of the National Credit Union Administration effective September 13, 2001, and

announced his intention to nominate JoAnn Johnson to a seat on the NCUA Board.

"I am deeply honored to be designated chairman by President Bush and I humbly value his confidence in my leadership here," said Dollar. "NCUA is an important agency with a strong, professional leadership team in place. I look forward to serving with my distinguished fellow board members as we strive to strengthen the safety and soundness, as well as the ongoing competitive viability, of America's credit union system."

Designated nominee JoAnn Johnson has been an Iowa State Senator since 1994. She currently chairs the Iowa Senate Commerce Committee and was chair of the Senate Ways and Means Committee from 1996 to 2000.

An Iowa native, Johnson is a former teacher and farmer. She holds a degree from the University of Iowa. Johnson is



the daughter-in-law of former NCUA executive director Donald E. Johnson, who passed away several years ago.

"I'm honored and

pleased that President Bush intends to nominate me to a seat on the NCUA Board," Johnson said. "Growing up in rural America, I know first hand the important role financial institutions, particularly credit unions, play in the lives of the men and women who form the backbone of our country. With close personal ties to the credit union community for many years, I consider it an honor and a privilege to be asked to join the three-member NCUA Board, and I look forward to beginning the confirmation process with the U.S. Senate."

Dennis Dollar has served on the NCUA Board since October 1997. President Bush named Dollar acting chairman February 8, 2001. His term expires August 2003.

JoAnn Johnson will be filling the six-year Board term that began August 2001, with the expiration of the Board term of Yolanda Townsend Wheat.

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HIGHLIGHTS

News briefs	2
Open budget briefing and public forum	2
Board actions	3
America's Tragedy	4, 5 & 6
Check transaction records for terrorists' names	6
Soldiers & Sailors Act	6
Conversations with America	7
Payment system operations	8
About investments	8
Privacy notices workshop	9
Financial training module	9
Diligent management	10

America's Tragedy

"I am saddened by today's national tragedy. Our thoughts and prayers are with the families affected. In activating the NCUA disaster relief policy, we will coordinate the delivery of any necessary resources and assistance for all federally chartered and/or federally insured credit unions which may be required as a result of this incident."

Dennis Dollar
September 11, 2001

See related credit union stories on pages 4, 5 and 6.

Budget briefing and public forum set for November 1

News briefs

Overhead Transfer Study — Deloitte & Touche is conducting an independent study of the overhead transfer rate, the amount of funds transferred annually from the National Credit Union Share Insurance Fund to cover NCUA insurance related operating costs.

Revolving loan program explained — NCUA plans to issue a Letter to Credit Unions explaining the Community Development Revolving Loan Fund's technical assistance program — funding priorities, evaluation criteria and processing time are included.

Risk-based exams — Plans are underway to begin pilot, risk-focused examination programs in Regions II and VI. Notification has been mailed to the credit unions selected to participate and both regional offices are now scheduling the exams

Sub-prime lending, leases, and indirect loans — NCUA plans to issue a Letter to Credit Unions addressing the need for proper due diligence, planning and control of third party service providers

NCUSIF equity — The equity level of the NCUSIF decreased to 1.29% for the

period ending August 31, 2001. The equity level is based on an estimated insured share base of \$387 billion at June 30, 2001.

CU failures — Through August, 18 credit unions had failed during 2001. Five merged with assistance and 13 were involuntary liquidations. Three of the involuntary liquidations were purchased and assumed. The cost of failures to date is \$1.7 million.

Capitalization deposit adjustments and refunds — Deposit insurance invoices were mailed in September to 1,636 credit unions over \$50 million in assets while \$827,374 in refunds were sent to the 34 credit unions with a decline in shares from January 1, 2001, to June 30, 2001.

NCUA rule and regulation actions Effective —

- Sept. 4 — Final Rule – Vital Records Preservation (12 C.F.R. Part 749)
- Sept. 4 — Final Rule – Credit Union Service Organization (12 C.F.R. Part 712)
- Sept. 4 — Involuntary Liquidation of Federal Credit Unions and Adjudication of Creditor Claims Involving Federally Insured Credit Unions in Liquidation (12 C.F.R. Part 709)

- Sept. 5, 2001 — Final Rule – Federal Credit Union Incidental Powers Activities (12 C.F.R. Part 721)

Comments due by:

- Nov. 1, 2001 - Filing Quarterly Financial and Statistical Reports (12 C.F.R. Parts 702 & 741)
- Dec. 20, 2001 - Clarifying and revising the Corporate rule (12 CFR Parts 703 and 704)

CDRLF statements are on line

The Community Development Revolving Loan Fund (CDRLF) monthly financial statements are now posted on the NCUA web site. The previous month's financial statements are scheduled to be posted by the 5th working day of each month. The NCUA Office of Credit Union Development web site carries the CDRLF statements at <http://www.ncua.gov/org/orgchart/ocud/programs.html>

NATIONAL CREDIT UNION ADMINISTRATION



NCUA News is published by the National Credit Union Administration, the federal agency which supervises and insures credit unions.

Dennis Dollar, Chairman
Yolanda T. Wheat, Board Member
Geoff Bacino, Board Member

Information about NCUA and its services may be secured by writing to the Office of Public and Congressional Affairs, or by calling 703-518-6300. News of what is happening at NCUA is available by calling 800-755-1030 or 703-518-6339.

Clifford R. Northup, *Director*
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National Credit Union Administration
 1775 Duke Street
 Alexandria, VA 22314-3428

Historic open budget briefing and public forum set for November 1

NCUA's first open budget briefing and public forum is scheduled for 2 to 4 p.m., November 1, 2001, in the Filene Board room in Alexandria. Agency staff will first brief the public on the process involved in formulating and funding the budget, including what items are in the 2002 budget. NCUA then invites testimony and comments from the credit union community.

The chairman believes opening the budget process to the public will better inform the agency of credit union industry concerns, and the public will gain a better understanding of how the agency's budget is developed.

"A more open budget process will benefit NCUA as an agency and help credit unions better understand the up-

coming 2002 budget," Chairman Dollar said.

Registered participants can make an oral statement of up to five minutes. Requests to make oral statements must be received by October 25, 2001. Every effort will be made to accommodate all speaking requests and air a broad range of views.

In lieu of speaking, written comments captioned "Budget Briefing and Public Forum – Comment" can be filed with the Secretary of the Board on or before November 8, 2001. Written comments or requests to present oral statements may be mailed to Becky Baker, Secretary of the Board, National Credit Union Administration, 1775 Duke Street,

Board actions September 13, 2001

Before calling the meeting to order, Chairman Dennis Dollar asked for a moment of silence to honor “the people who lost their lives this week in such a national tragedy.”

Corporate rule changes proposed

The NCUA Board issued proposed changes to Part 704, Corporate Credit Unions, with a 90-day comment period, that include significant modifications recommending revisions to capital, credit concentrations and credit risk requirements.

The major changes deal with capital. A single definition is recommended to meet capital requirements and set concentration limits. This takes into account how capital has improved since the regulation became effective three years ago and indicates corporates have the means to monitor the risk in their portfolios.

The proposal includes a provision to exclude membership capital from the calculation of net economic value. Other major changes include:

- Lowering “investment grade” investments;
- Eliminating the requirement for corporates to have Parts I or II expanded authorities to qualify for derivative authority under Part IV;
- Changing concentration limits;
- Calculating the NEV requirement;
- Adding Part V expanded authority and establishing procedures for applying for participation lending; and
- Clarifying permissible services for corporates.

The proposal also eliminates the limits for fixed assets, reduces the requirements of the wholesale corporate, updates the investment section and clarifies the definition of credit union affiliates. The proposed changes are designed to permit corporates to be more competitive in providing products and services to their members while operating in a safe and sound manner.

Final nondiscrimination in advertising rule approved

The NCUA Board approved a final rule revising Part 701.31(d)), Nondiscrimination in Advertising, which provides greater flexibility in how federal credit unions advertise and post notices of nondiscrimination related to real estate lending.

The final rule provides a federal credit union with flexibility in how it gives notice when advertising and allows an FCU to display either the NCUA lobby poster or a poster prepared by the United States Department of Housing and Urban Development.

The rule also prohibits advertising with words, symbols, models or other forms of communication that suggest a discriminatory preference or policy of exclusion in violation of the *Fair Housing Act* or the *Equal Credit Opportunity Act*.

TIS electronic disclosures - mandatory compliance date lifted

The NCUA Board issued an interim final rule change to Part 707, Truth in Savings, lifting the mandatory October 1, 2001, compliance date for using the uniform standards established for electronic delivery of disclosures until a permanent final rule is issued.

The final rule will provide a reasonable period of time for credit unions that choose to provide disclosures electronically to comply with the rule.

Charter modifications -- Conversions

The request was approved for \$48.9 million **School Employees of CNY Federal Credit Union**, Syracuse, NY, to convert from a multiple common bond to a community charter able to serve the 732,920 residents in the Central New York counties of Onondaga, Oswego, Cayuga and Madison.

The request was approved for \$72 million **General Electric Employees of**

Rome Federal Credit Union, Rome, Georgia to convert to a community-based charter to serve the 511,150 people who live, work, worship, and attend school, and businesses and other legal entities located in Bartow, Catoosa, Chattooga, Dade, Floyd, Gordon, Haralson, Paulding, Polk, and Walker Counties, Georgia.

The request was approved for \$33.8 million **Goodrich Employees Federal Credit Union**, Port Neches, Texas, to convert to a community charter able to serve the 376,260 people who live, work, worship, or attend school and businesses and other legal entities located in Hardin, Jefferson or Orange Counties, Texas.

Expansions

The request was approved for \$39 million **Arlington Federal Credit Union**, Arlington, Texas, to expand its community-based field of membership to add the city of Mansfield. The resulting community includes the 365,733 people who live, work, worship, or attend school and businesses and other legal entities in Arlington, Dalworthington Gardens, Pantego, or Mansfield, Texas.

The request was approved for \$103 million **Pioneer Federal Credit Union**, Mountain Home, Idaho, to expand its community charter to serve the 452,000 people in Ada, Canyon, Blaine, Camas and Elmore Counties in Idaho.

Underserved community added

The request was approved for \$157 million **Communicators Federal Credit Union**, Houston, Texas, to add the designated underserved area of 363,150 people in Central Houston to its multiple common bond field of membership. The area's median family income, poverty level and unemployment rate exceeds the standards for designation as an investment area.

Votes are unanimous unless otherwise indicated.

America's Tragedy

Disaster assistance activated for New York and Arlington, Va

Officials and staff at the National Credit Union Administration watched in shock and horror at the tragic events of September 11, 2001. For the first time outside a natural disaster, NCUA activated its disaster relief policy in order to assist affected credit unions and their members in New York City and Arlington, Va.

NCUA examiners and staff from Regions I and II remain in close contact with the affected federal credit unions to offer advice and assistance.

Under the disaster assistance policy, the NCUA —

1. Encourages credit unions to make loans with special terms and reduced documentation to affected members;
2. Reschedules routine examinations of affected credit unions if necessary;
3. Guarantees lines of credit for credit

unions through the National Credit Union Share Insurance Fund; and

4. Makes loans to meet the liquidity needs of member credit unions through the Central Liquidity Facility.

During disaster conditions, NCUA personnel operate under three priorities:

- Ensure the safety of credit union staff;
- Keep facilities and operations available to members; and
- Provide material and technical assistance, as needed, to affected credit unions.

NCUA is also working with the New York and Virginia Credit Union Departments and these state credit union leagues to ensure all federally insured credit unions are aware of NCUA's available assistance.

Credit unions can make charitable contributions

Credit unions are stepping forward to assist families, businesses and fellow credit unions affected by September 11's tragic events by using their authority to make charitable contributions and donations.

"We are very pleased that so many credit unions have offered to assist in the disaster relief efforts. The credit union movement is proving once again that they maintain the heartbeat for their members, communities and our nation," said NCUA Chairman Dennis Dollar.

Federal credit unions' broad authority to make charitable contributions and donations is described in §701.25 of NCUA's regulations. A federal credit union may make contributions or donations to any nonprofit organization that conducts activities in any community where the credit union has an office, including national organizations such as the American Red Cross. It is not necessary that a nonprofit organization have an office in the credit union's community.

Federal credit unions may also donate and contribute to credit union organizations that are tax exempt under 501(c)(3) of the Internal Revenue Code and operate to promote and develop credit unions. Examples of these organizations include the National Credit Union Foundation, National Association of Federal Credit Unions Foundation, and the New York Credit Union Foundation.

NCUA does not limit the amount of donations. Credit union directors approve charitable donations based on their determination the donation is in the best interest of the credit union and the amount is reasonable given the size and financial

Special grant assistance available for Manhattan's low-income credit unions

Community Development Revolving Loan Fund technical assistance grant funds are available for disaster relief for the five low-income designated credit unions located in the lower Manhattan area devastated by the tragedy. Grants of up to \$15,000 are available for eligible credit unions.

"In addition to activating the NCUA Disaster Relief Policy, we felt the need to provide more immediate assistance for these credit unions so they may continue to reach out and serve their community," Chairman Dollar said. "This national tragedy has affected families across America, particularly in this lower Man-

hattan area. We need to do everything in our power to help these credit unions serve their community, where they can, with low-cost financial services."

The technical assistance grants are expected to assist with the cost of operations, relocation, clean up and damage repair. The normal application timeline and qualifications for assistance were waived to help credit unions resume their operations.

continued on page 6

America's Tragedy

Credit union employees escape safely, many members lost

A report on credit unions affected by the tragic events of September 11, 2001

Credit union managers and employees evacuated safely and no NCUA employees were in the Pentagon or the World Trade Center when planes crashed into the buildings September 11, 2001.

Pentagon FCU in Arlington, Va., reports it lost 58 members when American Airlines flight 77 crashed into the Pentagon. While actual names and numbers are not yet known, **Xcel FCU** (Port Authority New Jersey and New York employees) and **Municipal CU** (New York City employees including fire and police) expect many members to be listed among the casualties in New York City. **Korean American Catholics FCU**, Flushing, NY, reports one of their volunteer officials is among the missing at the World Trade Center.

The **Pentagon FCU** branch office onsite at the Pentagon was unscathed. In New York City, **Xcel FCU** and **FAA Eastern Region FCU** lost their offices in the World Trade Center complex. **Eastern Region FCU**, **Municipal CU** and **USAlliance FCU** suffered damage to branches or offices. The New York State Banking Department is operating out of temporary space in White Plains, NY, because their office near the World Trade Center is currently inaccessible. With assistance from the New York credit union community, all other credit unions in the World Trade Center were able to reopen for business within a week.

Specific accounts from some of the credit unions severely impacted by this tragedy at press time include the following:

Xcel FCU's corporate headquarters were on the 39th floor of the World Trade Center North Tower, which was struck first by the terrorists. All credit union employees evacuated the World Trade Center area safely and were reassigned to work from the administrative office in New Jersey.

An **FAA Eastern Region FCU** branch office on the first floor of 6 World Trade Center was destroyed. Currently they are looking for a temporary location in New York City. Members are currently be-



New York City credit unions in the vicinity of the Twin Towers

#	NAME	#	NAME
00165	NEW YORK STATE EMPLOYEES	17107	UKRAINIAN NATIONAL
01329	SKYLINE	17587	USALLIANCE
01979	HENRY STREET SETTLEMENT	20060	N.U.I.
03714	UNIVERSITY SETTLEMENT	21377	CHINESE AMERICAN
05800	FAA EASTERN REGION	21931	HIP SING (N.Y.)
05973	U.S. COURT HOUSE SDNY	23958	NEW YORK UNIVERSITY
07217	SELF RELIANCE NY	24232	LOWER EAST SIDE PEOPLE'S
14111	CSAE	24319	HOMESTEADERS
16218	XCEL	60	MUNICIPAL
		60163	SIXTH AVENUE

Map shows approximate locations.

ing served through the five open offices in the New York and New Jersey area as well as branches in Virginia and New Hampshire. The main office of **Municipal CU**, 22 Cortlandt Street, adjacent to the World Trade Center, was destroyed and the branch on Lafayette Street is closed until communication systems are repaired. Other branches are operational and plans are to temporarily locate administrative offices in Brooklyn, NY.

The **USAlliance FCU**, Rye, NY, branch office in the AMEX Express Tower suffered structural damage. The credit union continues to offer service at other locations and plans to reestablish a location in Manhattan.

The **Justice FCU** Chantilly, VA, a Region II credit union, temporarily closed its branch office at 26 Federal Plaza because that building remains closed to the public. Services are available for authorized members at its other New York City branch at 290 Broadway.

The latest information for these credit unions is available on their web sites:

- Xcel Federal Credit Union
<http://xcelfcu.org/>
- Municipal Credit Union
<http://nymcu.org/>
- FAA Eastern Region Federal Credit Union
<http://www.faaerfcu.org/>
- US Alliance Federal Credit Union
<http://usalliance.org/>
- Justice Federal Credit Union
<http://www.jfcu.org/>

Credit unions in the New York City area continue to experience intermittent communications problems, but backup plans are in place enabling member service to continue. While sections of lower Manhattan remain inaccessible, transportation and communication problems have eased and services are gradually returning to normal in surrounding areas.

There were 18 Region I credit unions or branch offices in the immediate vicinity of the World Trade Center, and 39 credit unions operated in lower Manhattan, south of 46 Street.

America's Tragedy

Soldiers' and Sailor's Civil Relief Act and reemployment rights

U.S. military troops are being activated, and federal credit unions should be aware of the legal rights of military personnel on active duty.

The Soldiers' and Sailors' Civil Relief Act, for example, requires all financial institutions to roll back interest rates to 6 percent on all loans made prior to active duty. The Act also gives active duty personnel rights to delay any court proceedings, executions of judgment, attachments, and garnishments, and to delay or reopen default judgments.

The Act is lengthy and technical, and contains additional rights for active service members who are involved in

foreclosures, leases, installment sales, and insurance activities. The rights provided by the Act are extensive, but there are exceptions to many.

A discussion of important parts of the law can be found at the website www.uscg.mil/hq/mcpocg/1geninfo/sscra.htm, and the statute is reprinted at www.chinfo.navy.mil/navpalib/questions/ssrelief/c50art1.html.

In addition, credit unions that employ reservists called to active duty should be aware of the reemployment rights and benefits discussed on the website www.dol.gov/asp/programs/handbook/userra.htm.

NCUA urges CUs to check transaction records for terrorists' names

NCUA issued *Letter to Credit Unions 01-CU-15*, on behalf of the Federal Bureau of Investigation (FBI), asking credit unions to join fellow financial institutions in checking their records for any relationships or transactions with the individuals named as alleged subjects under investigation in the World Trade Center and Pentagon attacks.

"I urge all credit unions to assist in this FBI investigation in an expeditious manner and notify the FBI immediately if any relationship between the subjects and a credit union is identified," said Chairman Dollar. "I would love nothing more than one of our credit unions to provide a lead that helps bust up one of these terrorist cells."

For additional information, access the FBI web site at <http://www.fbi.gov/pressrel/pressrel01/091401hj.htm>. The letter to credit unions, listing subjects names, is on NCUA's web site at <http://www.ncua.gov/ref/letters/01-CU-15.pdf>

Faith-based initiatives gain national attention

Fox News aired a special report on the evening news about the faith-based credit union trend in America August 31, 2001, with Chairman Dennis Dollar presenting an expansion certificate to faith-based Shiloh of Alexandria Federal Credit Union. The C-SPAN morning talk show, Washington Journal, interviewed Chairman Dollar the same day about faith-based credit unions expanding to serve low-income, underserved communities.

Nearly 500 faith-based credit unions with assets over \$2 billion provide affordable financial services to their members in the U.S.



August 31, 2001, Alexandria, Va. - NCUA Chairman Dennis Dollar presents a federal expansion certificate to John Dupree, Sr., Chairman of Shiloh of Alexandria Federal Credit Union. The faith-based credit union adopted an Alexandria, Va., low-income, underserved community into its field of membership.

Charitable Contributions

continued from page 4

condition of the credit union. Boards may also establish a donation budget and delegate authority to select recipients to appropriate credit union officials.

The charitable contributions and donations regulation can be found on the NCUA website at http://www.ncua.gov/ref/rules_and_regs/rules_and_regs.html.

Any questions about the eligibility of a recipient may be directed to Staff Attorney Frank Kressman in NCUA's Office of General Counsel 703-518-6540, appropriate credit union officials.



Who and What: Board Member Geoff Bacino will participate in Rhode Island Credit Union League meeting

When: 12 p.m., Wednesday, Oct. 10, 2001

Where: Warwick, R.I.

Why: To represent the NCUA board and address the issues facing the credit union movement.

Contact: Dawn V. Woollen, 703-518-6318, dwoollen@ncua.gov

Who and What: Board Member Geoff Bacino will participate in Georgia Credit Union Affiliates' 2001 Fall Institute

When: 9:30 a.m., Friday, Oct. 12, 2001

Where: Palmetto Dunes Hilton Resort, Hilton Head, S.C.

Why: To represent the NCUA board and address the issues facing the credit union movement.

Contact: Dawn V. Woollen, 703-518-6318, dwoollen@ncua.gov

Who and What: Chairman Dennis Dollar will speak at the California and Nevada Credit Union Leagues meeting.

When: 8:30 a.m., Monday, Oct. 15, 2001

Where: Disneyland Hotel, 1150 West Magic Way, Anaheim, Calif.

Why: Participant feedback will be considered and solicited on NCUA initiatives or policies. A Q&A with participants is scheduled.

Contact: Nicholas Owens, 703-518-6336, nowens@ncua.gov

Who and What: Board Member Geoff Bacino will participate in the 2001 ACUMA Fall Leadership & Technology Conference.

When: 8:30 a.m. Monday, Oct. 15, 2001

Where: Bally's Las Vegas, Las Vegas, Nev.

Why: To represent the NCUA board and address the issues facing the credit union movement.

Contact: Dawn V. Woollen, 703-518-6318, dwoollen@ncua.gov

Who and What: Board Member Geoff Bacino will participate in the grand opening of the Tennessee Teachers Credit Union new technology center

When: 3-6 p.m., Friday, Oct. 19, 2001

Where: Nashville, Tenn.

Why: To represent the NCUA board and address the issues facing the credit union movement.

Contact: Dawn V. Woollen, 703-518-6318, dwoollen@ncua.gov

Who and What: Board Member Geoff Bacino will participate in the National Association of Community Credit Union's conference.

When: 1:15 p.m., Monday, Oct. 22, 2001

Where: Westin Francis Marriott, Charleston, S.C.

Why: To represent the NCUA board and address the issues facing the credit union movement.

Contact: Dawn V. Woollen, 703-518-6318, dwoollen@ncua.gov

Who and What: Chairman Dennis Dollar will speak at the National Association of Community Credit Unions meeting.

When: 8:30 a.m., Wednesday, Oct. 24, 2001

Where: Westin Francis Marion Hotel, 387 King Street, Charleston, S.C.

Why: Participant feedback will be considered and solicited on NCUA initiatives and policies. A Q&A with participants is scheduled.

Contact: Nicholas Owens, 703-518-6336, nowens@ncua.gov

Who and What: Chairman Dennis Dollar will speak at the Kentucky Credit Union League's annual meeting.

When: Friday morning, Oct. 26, 2001

Where: JR's Executive Inn, Paducah, Ky.

Why: Participant feedback will be considered and solicited on NCUA initia-

tives or policies. A Q&A with participants is scheduled.

Contact: Nicholas Owens, 703-518-6336, nowens@ncua.gov

Who and What: Chairman Dennis Dollar will speak at the Founders Federal Credit Union planning session.

When: Saturday morning, Oct. 27, 2001

Where: Homestead Hotel, Hot Springs, Va.

Why: Participant feedback will be considered and solicited on NCUA initiatives or policies. A Q&A with participants is scheduled.

Contact: Nicholas Owens, 703-518-6336, nowens@ncua.gov

Who and What: Board Member Geoff Bacino will participate in the CUNA 2001 Attorney's conference.

When: 8:15 a.m., Monday, Nov. 5, 2001

Where: Atlantis Resort, Nassau, Bahamas

Why: To represent the NCUA board and address the issues facing the credit union movement.

Contact: Dawn V. Woollen, 703-518-6318, dwoollen@ncua.gov

Who and What: Chairman Dollar will speak at the CDCU Faith-Based Credit Union Program.

When: 2:15 p.m., Friday, Nov. 9, 2001

Where: Radisson Hotel, Birmingham, Ala.

Why: Participant feedback will be considered and solicited on NCUA initiatives or policies. A Q&A with participants is scheduled.

Contact: Nicholas Owens, 703-518-6336, nowens@ncua.gov

Who and What: Board Member Geoff Bacino will participate the 15th Annual AICPA National Conference on Credit Unions.

When: 8:10 a.m., Monday, Nov. 12, 2001

Where: Wyndham Palace Resort and Spa, Lake Buena Vista, Fla.

Why: To represent the NCUA board and address the issues facing the credit union movement.

Contact: Dawn V. Woollen, 703-518-6318, dwoollen@ncua.gov

Controlling payment system operations

Managing the risks surrounding electronic payment systems requires strategies and techniques that keep pace with new technology. It also requires applying tried and true operational controls too easily overlooked in an age of Internet banking. These operational controls include the segregation of duties, dual controls on financial transactions and dollar limits on transactional authorities.

The system administration for adding and deleting users or changing existing user authorities should be under dual control whenever possible to prevent potential abuse. System administrators should not hold operational authorities to maintain a sound segregation of duties.

Financial transactions should be under dual control. It requires the collusion of two or more employees to bypass this important control feature. Cash management transactions, wire transfers, and even ACH transactions may involve large dollar amounts. Wire transfers in particular are final and irrevocable. Ensuring dual controls for these types of electronic payments avoids unacceptable risk.

Placing dollar limits on transactions decreases the risk of erroneous or fraudulent

entries that could lead to catastrophic loss. Dollar limits also mitigate the risks associated with a lack of dual controls on transactions for small credit unions with insufficient staff to achieve truly segregated duties. Electronic payment systems may allow for placing limits on individual transactions, file size and daily dollar maximums. However, system default settings are frequently \$99,999,999 or similar unrealistic amounts. Establishing appropriate dollar limits for each type of transaction and each user and ensuring the limits reflect actual operational needs are essential risk control measures.

Most products and software used in the electronic payments process offer settings to achieve a sound segregation of duties, establish dual controls on transactions and dollar limits for each task and each user.

In most cases, the credit union is solely responsible for maintaining proper controls over electronic payment systems. Managers and the Supervisory Committee are encouraged to periodically review the security for settings for each payment system used.

About investments

Economic scene demands sound management

The Federal Reserve Board has cut rates by 350 basis points since the beginning of the year, with the Fed Funds rate now at 3.0 percent. Three- and 6-month U.S.



Treasury bills have dropped the same extent. If signs of economic weakness persist, the Fed may continue to lower rates. The Treasury curve has grown

steeper. When this was written, the spread between the 3-month bill and 30-year bond was 275 basis points. In response to plunging equity values and nervousness following the terrorist actions, cash has moved to safe havens, including Treasuries, and the share accounts of natural person and corporate credit unions.

The impact of the economic downturn is beginning to show in credit quality. In early September, the FDIC reported that delinquent loans at commercial banks were higher than at any time since 1995. Heightened vigilance on the credit front is prudent, though the consumer credit portfolios of credit unions have been relatively insulated from deterioration.

Pricing is still an important issue for credit unions. The net interest margin at federally insured, state-chartered credit unions declined from December to June 2001. Credit unions must continue to allow share rates to follow the market down. At such a time, it is important to restate our earlier message that there is no substitute for sound asset/liability management of credit union balance sheets.

Budget

continued from page 2

Alexandria, Virginia 22314-3428. Comments and requests may be submitted by Fax to 703-518-6319 or by E-mail to regcomments@ncua.gov. Specifics on the NCUA Budget Briefing and Public Forum procedure can be found on NCUA's website www.ncua.gov.



August 29, 2001, Kansas City, MO – NCUA Board Member Yolanda Townsend Wheat (right) joined friends and colleagues in paying tribute to Nancy Pierce (left) upon her retirement as president and CEO of Mazuma Credit Union. On behalf of the NCUA Board, Wheat presented Pierce with a plaque recognizing her 25 years of service to the credit union movement, in particular, her years as president and CEO of Mazuma Credit Union (formerly Federal Employees Credit Union) of Kansas City, Missouri, her 1998-1999 term as chairwoman of the Credit Union National Association and her commitment to access to affordable financial services for all consumers.

Financial education training module available

The National Credit Union Administration recognizes the importance of financial education and supports the efforts of credit unions that are able to offer these types of programs.

Issued in September, *Letter to Federal Credit Unions NO. 01-FCU-06* provides "Money Smart" a financial education curriculum developed by the Federal Deposit Insurance Corporation (FDIC) to help adults outside the financial mainstream build knowledge and develop positive relationships with financial institutions.

The free program consists of 10 training modules covering basic topics, such as the use of savings, credit services, and budgeting.

Each module includes an instructor's guide, overheads, sample promotional

flyer, and a take-home guide for participants.

Although the terminology used throughout the series is not specific to credit unions, the curriculum addresses the basic financial education needs of consumers. Because there are no copyright restrictions, credit unions may adapt the materials as desired.

Secure a Money Smart brochure and an order form on the FDIC's web site at <http://www.fdic.gov/news/publications/moneysmart/index.html>. Order the brochure or the curriculum from the FDIC Money Smart voice mailbox at (202) 942-3404, or by faxing a request to (202) 942-3098.

Public workshop will discuss effective privacy notices required by GLB Act

NCUA is one of the eight federal agencies presenting a public workshop on *Gramm-Leach-Bliley (GLB) Act* privacy notices on Tuesday, Dec. 4, 2001, from 9 to 5 at the Federal Trade Commission, 600 Pennsylvania Avenue, N.W., Room 432, Washington, D.C.

The workshop will provide a forum to identify successful GLB Act privacy notices, discuss strategies for communicating complex information and encourage industry self-regulatory efforts and consumer and business education. Financial institutions, consumer and privacy groups, experts on readability and consumer communication and others will discuss the issues on moderated panels.

The GLB Act was signed into law November 12, 1999, and the eight federal agencies co-sponsoring the workshop have issued regulations implementing the privacy provisions. The regula-

tions provide consumers the opportunity, with certain exceptions, to prevent financial institutions from disclosing consumer information to nonaffiliated third parties. They also require financial institutions to provide privacy notices to consumers.

The event is free and open to the public. Pre-registration is strongly encouraged as seating is limited. The workshop announcement is on the FTC's web site at www.ftc.gov/glbworkshop. Pre-register by e-mail at glbworkshop@ftc.gov by November 16. A detailed agenda and additional information will be posted on the web site before December 4. After the workshop, a transcript will be posted on the FTC Web site <http://www.ftc.gov>.

Contact NCUA Staff Attorney Mary Rupp, 703-518-6553, for additional information.

Upcoming Board actions

- Procurement policies and procedures
- Part 703
- Parts 702.101 and 741.6(c) of the NCUA R&Rs, quarterly 5300 reporting,
- NCUA Operating Budget for 2002/2003
- NCUA Operating Fee Scale for 2002
- Parts 700, 701, 712, 715, 723, 725 and 790—Technical corrections and definitions amended.

Community Development Revolving Loan Fund statistics for August 2001

Number of CDRLF loans

approved in August	0
Amount approved in August	\$ 0
Amount In process	\$ 400,000
Number In process	2
Outstanding balance	
August 31, 2001	\$ 10,740,635
Number of loans outstanding	88

Number of CDRLF technical assistance grants approved in August

in August	2
Amount approved in August	\$ 5,299
Number of grants disbursed through August	62
Amount of grants disbursed through August	\$ 137,001



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Chairman Dollar urges "diligent management"

Chairman Dennis Dollar urged credit unions to provide "diligent management" as the nation faces a period of economic uncertainty and signs of a downturn at an Open Forum in Cleveland for Ohio credit union leaders September 20.

"I know credit unions manage and develop strategies based on both the long-term and the short-term very effectively," said Dollar, "The strong financial position of credit unions reflects that fact. However, the uncertainty in today's economy dictates the need for

diligent management that doesn't allow short-term fluctuations to create long-term problems."

Dollar said recent figures indicate that the terrorist attack had a significant impact on the American economy. He said that credit unions, while "well positioned" financially, are "not immune" from being impacted. He cited announcements that at least 100,000 employees will be faced with layoffs in the immediate future, especially in the airline and hospitality industries.

"This is a challenging time for everyone in America," he said, "including our credit unions. There will be many differing responses based upon the individuality of each credit union. Some will have deposits flow in from the stock market downturn. Others will have deposits flow out to meet members' ongoing living expenses. Some will have lending go up while others will see it go down. It will require responsive leadership and responsible oversight. Credit unions have a true heartbeat for their members and will be a major player in meeting their needs during this challenging period. But it will be challenging.

"The financial position of America's credit unions has never been stronger," Dollar said. "Assets are up and delinquencies are down — by all figures, credit union's have never been in a more stable and secure position than today. To maintain this strong position during a challenging economic time will not come by accident. It will require the best in credit union asset-liability management, even as it demonstrates the best in credit union member service. I believe credit unions will come through with flying colors and will, as Faulkner wrote, not merely endure but prevail as the nation faces this ripple in its economy."



September 20, 2001, Cleveland, Ohio — NCUA Chairman Dennis Dollar with Robert Eaton and Rita Haynes of Faith Community United Credit Union, Cleveland, and Lisa Carter, CEO of Appalachian Development Federal Credit Union, Nelsonville, Ohio, at an Open Forum for Ohio credit union officials.

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